AN AMERICAN BANKER SPECIAL REPORT

Government Still the Biggest User of Automated Clearing House

Continued from Page 1

nancial institutions. Last year, agencies such as the Treasury Department originated 297.5 million transactions, compared with 288.5 million payments made by banks on behalf of corporations and consumers.

However, bank-originated volume is rapidly closing in. These commercial payments grew by 32% in 1985, while government transactions increased by 11%.

The findings also reflect the stranglehold the Fed has on the business of processing electronic payments. The central bank, which processes all transactions between regions as well as intraregional volume in 28 of the 31 local clearing houses, had a hand in moving 97% of the 1985 volume. Efforts are under way to bring in private-sector processors to compete with the Fed.

The survey underscored just how far the automated clearing house has to go before capturing a significant portion of payment traffic. The total of 586 million payments equals about 1.5% of the estimated 1985 check volume of 40 billion to 42 billion. In fact, the increase in the number of checks written last year alone — estimated at 4% to 5% by Paul M. Connolly, the Federal Reserve System's check product manager — was perhaps three times greater than the total clearing house volume.

When the regional clearing houses were linked in the mid-1970s, proponents were confident that efficiencies provided by paperless processing would lead to rapid reductions in the number of checks written. Those great expectations clearly have been dashed.

Steady Growth Still Seen

Nevertheless, backers of the network remain confident that steady growth lies ahead. The National Automated Clearing House Association, the umbrella organization that oversees the network, ambitiously predicts that by the turn of the century, half the payments in the nation will be made through the automated clearing house, better known as the ACH.

But to achieve that goal, volume will have to grow rapidly in the years ahead and reverse a downward trend. Automated clearing house payments increased by 27% in 1983, 22% in 1984, and 20% in 1985, according to the *American Banker* survey. With a sustained annual growth rate of 20%, the volume in 1999 would be seven and a half billion. A 25% rate would create a volume of 16.5 billion. Whether such growth rates are realistic is unclear.

The automated clearing house consists of 31 regional clearing houses, or processing facilities, linked by computer. Each automated clearing house routes electronic payments between banks. When transactions are sent between regions, the originating bank sends the items to its local clearing house, which routes them via the appropriate regional clearing house to the receiving institution.

The network was designed primarily as a low-cost mechanism for handling small-dollar-value consumer payments, such as the direct deposit of payroll and Social Security benefits. The automated clearing house also handles debit transactions, in which a company is authorized to withdraw funds from a customer's account as payment for insurance policies, purchases, leases, or other services.

In addition, corporations use the network for intracompany transactions. One particularly successful application is "cash concentration" debits, which enable a corporation to centralize funds from remote offices overnight, a valuable cash management tool. The national clearing house association is trying to encourage firms also to pay invoices via the network but has made little progress so far.

Many observers think the best prospects for increased volume involve purchases at cash registers in supermarkets, gas stations, and stores. Tests of these so-called point-of-sale transactions through the automated clearing house are now under way.

Part of the confusion about automated clearing house volume stems from the figures released by the National Automated Clearing House Association. The group overstates the volume processed by the network because it counts interregional items twice — once at the originating clearing house and once at the receiving facility.

For example, the association put the 1985 commercial volume at 480 million items, an increase of 41% over the group's 1984 figures. However, when the double counting is eliminated, according to the *American Banker* survey, the actual commercial volume was 288.5 million, a 32% increase over 1984.

Also, using double counting, the association reported that commercial volume processed through the network exceeded government volume in 1983.

Year	Government-Originated (in millions)	Share
1985	297.5	51%
1984	268.5	55%
1983	240.5	60%
1982	208.8	66%

Year	Commercial (in millions)	Share	Total (in millions)
1985	288.5	49%	586.0
1984	218.0	45%	486.5
1983	158.7	40%	399.2
1982	106.2	34%	315.0

Comparison of Government-Originated Items vs. Commercial Items

However, the survey showed that private-sector transactions still had not overtaken government-initiated payments in 1985.

The association has been criticized by some observers for publicizing overstated figures. William R. Moroney, the president of the group, said: "The intent was never to mislead." He said that for internal accounting reasons, figures on both incoming and outgoing volume are important to clearing houses, and that is how volume has been calculated traditionally.

"The National Automated Clearing House Association's going to relook at the way it counts its numbers [in order to present an] accurate statistical picture," he said. The group plans to conduct research on the number of payments by application and on the number of on-us items initiated, he added.

The survey counted the number of debits and credits originated in 1985. Prenotifications, or test messages sent before live transactions, were not included. The survey did count dishonored items returned to the originating institutions.

Fed Claims 97% of Processing

The Federal Reserve System said it had a role in processing 568.6 million payments in 1985, or 97% of the volume. Another 17.4 million in regional traffic was handled solely by the private sector: 11.8 million in New York, 4.7 million in Arizona, about 900,000 in Hawaii, and some 50,000 on the West Coast, where the San Francisco-based Calwestern Automated Clearing House Association started using a private processor last November.

Those sources also provided data for the three previous years. Volume totaled 315 million in 1982, 399.2 million in 1983, and 486.5 million in 1984.

The survey showed that the percentage of commercial transactions is rising steadily, from 34% in 1982 to 49% in 1985. If on-us items are included, the private-sector transactions did outnumber government payments last year.

However, George C. White, a consultant on electronic banking, says the industry should take little pride in that fact. Mr. White said studies have determined that the government writes only 5% of all checks. Therefore, he concluded, the private-sector automated clearing house volume also should be 20 times greater than that of the

Clearing House: Page 69

Bankers Flock to Take Exam Certifying Corporate Cash Managers

By TOM FERRIS

LOS ANGELES — When corporate cash managers take their profession's first certification exam later this month at testing sites around the country, there's a good chance some of their bankers will be sitting next to them.

About one-third of the 1,380 registrants for the exam are bankers seeking to brush up on cash management fundamentals and impress corporate customers.

Many of these bankers think that being certified as knowledgeable in corporate financial practices will give them an edge in marketing operating services to companies.

"We see it as one more way to differentiate ourselves in the marketplace," said Joseph C. Webb, senior vice president of Citizens and Southern National Bank in Atlanta.

Banks like C&S, Mellon Bank, Chemical Bank, and the First National Bank of Chicago are sending large contingents to the exam. For example, 80 officers at Mellon and 55 at Citizens and Southern have registered for the test.

However, other institutions, including Citibank and Wells Fargo Bank, while offering to pay the $150 exam fee for their cash management specialists, do not think certification will carry much weight.

"We have a handful of people taking the test," said David Kurrasch, a vice president of Wells Fargo in San Francisco. "But daily performance is what's important to me."

"Certification's a noble cause, but I don't think it's going to be used to differentiate anybody in the short term," said Harry D. "Buddy" LeTourneau, senior vice president of NCNB National Bank of North Carolina, which has 10 employees seeking certification.

But Mr. LeTourneau and most other bankers interviewed at a cash management conference here last week welcomed the certification program as a stimulus for education and a reason for bankers to review the fundamentals of cash management.

"One of the major complaints of corporate people is, 'I'm tired of training bankers,' " said Mr. Webb of Citizens & Southern. "We see this exam as a way of correcting that."

The four-hour exam will be given at 55 sites in the U.S. and Canada on May 31 and will be administered by Educational Testing Service, the Princeton, N.J., company that supervises entrance tests for colleges and graduate schools.

The exam will consist of 200 multiple-choice questions on collection and disbursement systems, payment systems, cash flow management, short-term borrowing and investments, international cash management, and related areas.

The effort was spurred by the National Corporate Cash Management Association, a trade group of financial officers.

By having a certification procedure similar to that of accountants, auditors, and financial analysts, corporate cash managers are trying to add some distinction to their relatively young profession.

Of the 1,380 people who registered by the March deadline, 60% are corporate officers, 35% are bankers, and 5% are consultants and academics, according to Raymond Ruzek, executive director of the national association.

The test originally was to be given annually, but because of strong interest, might be given twice a year, Mr. Ruzek said in an interview here at the annual conference of the Cash Management Association of Southern California.

The national association has published a 140-page study guide for the test. In addition, some banks are holding training sessions for employees taking the exam.

Citizens & Southern is requiring its cash management specialists to attend review sessions totaling 14 hours, Mr. Webb said.

Mellon Bank is holding seminars on two Saturdays to prepare for the test, according to Edward J. Pierson, director of marketing for global cash management services.

Mr. Pierson said Mellon is sending 80 of its bankers to the exam, while its Philadelphia subsidiary, Mellon Bank (East), has registered an additional 15. ■

Fight . . .

Continued from Page 1

may not be necessary since the popular press is full of IRA stories, lobbyists said.

Last week, the Investment Company Institute, the lobby for mutual funds, placed advertisements in 70 newspapers, warning that "Someone in Washington wants to kill your IRA."

Such ads may not be needed anymore, said Erick Kanter, vice president of the trade group. For example, *The Wall Street Journal* on Friday headlined an IRA story, "Proposed Changes to IRAs Would Hurt All Investors." Said Mr. Kanter, "I couldn't have written it better."

He said the Investment Company Institute has no plans for more advertisements. "The public has become aware and sensitized."

Some banks and thrifts may choose to mail circulars to IRA account holders recruiting political help, said the U.S. League's Mr. Clark. "I got a call this morning from a thrift asking me about this." But the U.S. League itself hasn't decided to mount a major campaign soliciting letters and calls to members of Congress.

Consumer lobbies may also sit out the fight. "We haven't looked into it," said Michael Caudell-Feagan, lobbyist for the U.S. Public Interest Research Group, "and I'm not aware of any consumer groups involved."

Exactly what financial institution trade groups will do to participate in the campaign is being decided in meetings that continue this week. "There's a coalition of industry groups developing," said James Butera, lobbyist for the National Council of Savings Institutions. "We've got to devise a broader strategy. The time frame is the key thing."

During the next few weeks, Senate Finance Committee staffers will draft the actual legislation approved in outline last week. In June, the bill is expected to face Senate debate, a labor that could take two to six weeks, according to observers.

The House passed its tax reform bill last December and made only one change regarding IRAs: a linkage that would prohibit IRA contributions for

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government.

Referring to the roughly 1:1 ratio of government to commercial items, Mr. White said: "I think those figures are devastating for a system that has been in existence since the 1970s. The private sector's really not doing the job."

The Impact of Float

For a number of reasons, the automated clearing house has been a more attractive payment mechanism for the government than for private industry.

In the cost-benefit analysis of whether to use the automated clearing house, the potential loss of float is a key consideration for the company or consumer making the payment. By using electronic funds transfer instead of a check, the payer usually surrenders his money sooner. That is one factor that has slowed the use of electronic payments by the private sector.

However, the government has made a philosophical decision not to "play the float," according to Florence Young, an adviser to the Federal Reserve Board. Therefore, its decision to embrace the automated clearing house was easier, based primarily on the clear-cut savings in processing expenses, she said.

Thanks to an aggressive mail and television advertising campaign, the Treasury Department has persuaded more than one-third of Social Security recipients that the direct deposit of benefits into their accounts is better than receiving checks in the mail.

And while the growth in government payments has now dropped to about one- third the rate for commercial items, that gap could narrow. A recently enacted law that requires the federal government to pay its bills on time has led the Treasury Department to make plans to convert to electronic transactions some 77 million vendor payments it now makes by check. In addition, government agencies are pursuing other programs that will increase their number of electronic payments.

NEXT: The *American Banker* ranks the top 100 originators of automated clearing house items.

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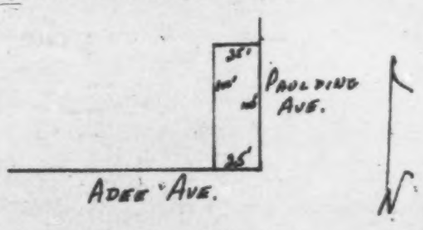
Notices of Foreclosure

SUPREME COURT: BRONX COUNTY FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF ROCHESTER, Plaintiff vs AUSTIN NATHANIEL CONNOR, et al., Defendants. Pursuant to Judgment of Foreclosure and sale, entered herein and dated Feb. 5, 1985, I, the undersigned Referee, will sell at Public Auction on May 19, 1986 at 11:00 A.M., at the Bronx County Courthouse, 851 Grand Concourse, Bronx, N.Y., Room 118 Mezzanine, premises in Bronx, N.Y., briefly described as follows with diagram below: Situate and beginning at a point formed by the intersection of the northerly side of Adee Ave. and the westerly side of Paulding Ave., and being a regular parcel of land 25 feet wide front and rear, with a uniform depth of 100 feet along each side line. Premises k/a 989 Adee Ave., Bronx, N.Y.



Index #13872/84. Approximate amount of judgment - $73,877.06, plus interest and costs. Charles G. Tierney, Referee. Phillips, Lytle, Hitchcock, Blaine & Huber, Attys. for Plaintiff, One Exchange Street, Rochester, N.Y. 14614.

Auction Notices

B. SPERBER DCA LIC# 794803 &/OR S. SPERBER DCA LIC# 769437 sell, May 27, 1986 323 W. 96th St. NYC 10:00 A.M. 1979 Pontiac 2 Dr Sdn 2M27A97525404 Re: L. Just: 10:30 A.M. 721 10th Ave. NYC 1976 Yamaha Motorcycle 581002026 Re: M. Smith: 11:00 A.M. 541 W. 43rd St. NYC 1974 International Truck 416060H053417 Re: Speedy Mail Pickup Corp.: 11:15 A.M. 600-50 W. 42nd St. NYC 1975 Toyota 2 Dr Sdn TE37530863 Re: J. Hoffman, 1976 Oldsmobile 4 Dr Sdn 3B69D6W115094 Re: S. Sutel: 12:00 P.M. 644-658 8th Ave. NYC 1975 Chevrolet 2 Dr Sdn 1X27G5T160213 Re: M. Greaves, 1977 Mercury 2 Dr Sdn 7A93H599262 Re: G. Hernandez: 12:30 P.M. 111 8th Ave. NYC 1977 Datsun 2 Dr Sdn GHLS30061585 Re: J. Vazquey: 1:00 P.M. 76 11th Ave. NYC 1977 Ford 2 Dr Sdn 7W82F263411 Re: H. Costa, 1973 Chevrolet Subn 1K35H3D242984 Re: J. Lozano, 1966 Volkswagon 2 Dr Sdn 116665846 Re: S. Pellissier: 2:15 P.M. 118 Broad St. S.I. 1979 Cadillac 2 Dr Sdn 6L57N9E652285 Re: J. Dore: 2:45 P.M. 190 Rhine Ave. S.I. 1977 Cadillac 2 Dr Sdn 6D47S7E628990 Re: D. Caceres: 3:15 P.M. 3228 Richmond Terrace S.I. 1970 Toyota 2 Dr Sdn FJ4076971 Re: D. MacConnell.

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NOTICE
The annual report of **ART MATTERS, INC.** for the calendar year ended December 31, 1985 is available at its principal office located at c/o Hecht & Company, P.C., 1500 Broadway, New York, New York 10036, (212) 391-4900, for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Laura Donnelley.

NOTICE
The annual report of **THE HAROLD KORZENIK FUND, INC.** for the calendar year ended December 31, 1985 is available at its principal office located at c/o Levine & Pohl, 1431 Broadway, New York, NY 10018, (212) 840-1610, for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Lillian Korzenik.

NOTICE
The annual report of **THE FOUNDATION FOR INNER PEACE, INC.** for the calendar year ended December 31, 1985 is available at its principal office located at c/o Levine & Pohl, 1431 Broadway, New York, NY 10018, (212) 840-1610, for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Robert Skutch.

NOTICE
The annual report of **SWITZER FOUNDATION** for the calendar year ended December 31, 1985 is available at its principal office located at 24th Floor, 10 Columbus Circle, New York, New York 10019, (212) 582-1022, for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is F.L. Dougan.

Auction Notices

John Gill auctr sells 5/13/86 at 9 AM at 447 W. 17th St. NYC 1982 Pontiac 1G2AU87H0CM536A75 Re: J. Almodova, 1973 Jaguar UD1S22525 Re: R. Hantz; at 10 AM at 10-02 46th Rd. LIC, NY 1979 Olds 3R47H9G439370 Re: C. Arcangeli; at 11 AM at 97-02 Northern Blvd. Corona 1976 Dodge NP41C6F303300 Re: H. Addonizio; 12 Noon at 207-20 Northern Blvd. Bayside 1976 Honda MC CB3602213673 Re: G. Rajendra, 1979 Chev 1Z8749S402585 Re: A. Bejarano; at 2 PM at 8014 Foster Ave. 1980 Cadillac 6L579AE632225 Re: L. Manzi; at 3 PM at 100-09 Glenwood Rd. Bklyn 1978 Pontiac 2K37Y8A215991 Re: F. Maldonado. Published 5/5, 5/12, 1986.

Foundation Notice

NOTICE
The annual report of **THE LOUISE & LIONEL BERMAN FOUNDATION, INC.** for the calendar year ended December 31, 1985 is available at its principal office located at c/o Wolf, Popper, Ross, Wolf & Jones, 845 Third Avenue, New York, NY 10022, (212) 759-4600 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Benedict Wolf, President.

NOTICE
The annual return of **THE TRIPPE FUND** for the calendar year ended December 31, 1985 is available at its principal office located at Morgan Guaranty Trust Company of New York, 616 Madison Avenue, New York, N.Y. 10053, (212) 826-7711, for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Charles W. Trippe.

Auction Notices

C. LAUDISI & ASSOC., INC., auct'r sells May 20, 1986 at 9 AM at 704 West Merrick Road, Valley Stream, N.Y. 1983 Renault #VF1BC34B6D1780727 Acct. S. Parker; at 10 AM at 241-07 Jamaica Ave., Queens, N.Y. 1975 Ford #5E81L147825 Acct. W.A. Calamia; at 10:30 AM at 170-28 Jamaica Ave., Queens, N.Y. 1982 Datsun #JN1HZ06S1CX426523 Acct. D. Freeman; at 11 AM at 97-07 100th St., Queens, N.Y. 1979 Ford #9F02Y298436 Acct. Allstate Ins. Co. and/or Family Used Cars; at 2 PM at 126-43 37th Ave., Queens, N.Y. 1983 Chevrolet #1G8GC26MXDF137777 Acct. Potamkin Cadillac Leasing Div. Potamkin Cadillac Corp.; at 2:30 PM at 600 Clarkson Ave., Bklyn, N.Y. 1977 Dodge #B21BB7X227314 Acct. L.A. Hunter; at 2:30 PM at 446 West 54th St., N.Y.C. 1986 Dodge #JB3BG39D4GZ000957 Acct. M.F. Tung; at 3 PM at 1491 Jerome Ave., Bronx, N.Y. 1980 Chevrolet #1X687AT272471 Acct. R.V. Zulma; at 3:30 PM at 3533 Holland Ave., Bronx, N.Y. 1978 Mercury #8H93H674804 Acct. H. Rosa; at 4 PM at 46 Main St., New Rochelle, N.Y. 1976 Fiat #124CS10107479 Acct. J. Irby. Published May 5 & 12, 1986.

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C. LAUDISI & ASSOCS., INC., auct'rs sell May 27th, 1986 at 9 AM at 814 Hempstead Tpke., Franklin Sq., N.Y. 1977 Cadillac #6D69S7E652470 Acct. M. Sozos; at 10 AM at 126 Glen Head Road., Glen Head, N.Y. 1978 Mercury #8E31T547152 Acct. C. Fernandez and/or Brielle Motors, Inc.; at 11 AM at 212-25 99th Ave., Queens, N.Y. 1982 Toyota #JT2RA64C3C6008079 Acct. E.L. Hutchinson; at 12 noon at 70-11 50th Ave., Queens, N.Y. 1983 Chevrolet #2GCCG15D4106825 Acct. BGS Leasing Sys., Inc. and/or Dawn Vending Co., at 2 PM at 28-31 Thomson Ave., Queens, N.Y. 1985 Dodge #2B7GB13H5FK256061 Acct. M. Olsen, 1976 Ford #E11HHB61037 Acct. L. Hansen; at 3 PM at 88-20 Astoria Blvd., Queens, N.Y. 1983 AMC #1AMDW9634DK205606 Acct. D. Jackson; at 3:30 PM at 35-101 West End Ave., N.Y.C. 1980 Chevrolet #1B080AY113312 Acct. M. Washington and/or M. Radafshar. Published May 12 & 19, 1986.

Jack Ross auctr sells 5/15/86 at 8:30 AM at 49-02 Qns. Blvd. '82 Chev 2GCHG31M1G4146335 Re: J. Morales; at 9 AM at 32-30 61st St. '82 Merc 1MEBP71B6CK627001 Re: H. Ponce; at 9:30 AM at 78-02 Nrthrn Blvd. '78 Plym ML44A8D111749 Re: D. Kemrajra, '73 Toyota RT85053614 Re: A. Sooknandan; at 10 AM at 674 Livonia Ave. '84 Chev 1G1AY0785E5141156 Re: NY Central Fire Ins. Co.; at 10:30 AM at 260 Davison Ave. '77 Ford 7E83F179144 Re: M. Mastafa. Published 5/5, 5/12, 1986.

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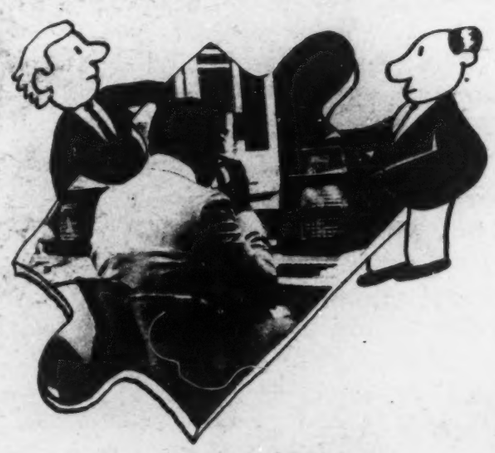
TODAY



MAKING THE PIECES FIT

Though computers are an integral part of banking, computer systems are often the last pieces plugged into a merger puzzle. David O. Tyson writes on the uncertainties and complications that arise with current automation advances and merger mania; his and other stories on merging bank technologies begin on page... 11

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Random Thoughts

By SANFORD ROSE

With all the chatter about the problems of banks, and particularly small banks, one might have thought that the number of banks in the U.S. would be declining. It may very well be that the number of independent banking entities is contracting, but the number of bank charters continues to increase — and at a pretty good clip.

From 1983 through 1985, 765 new U.S. banks were born, says the firm of Lyons, Zomback & Ostrowski, which is preparing to release the latest edition of its Depository Institutions Performance Directory, published by Warren, Gorham & Lamont. There are now 14,356 insured banks in the U.S. In 1983 there were only 13,591 entities.

And where are the new additions to be found? At first blush, the answer seems paradoxical. The greatest number of new banks are to be found in those states with the gravest banking problems.

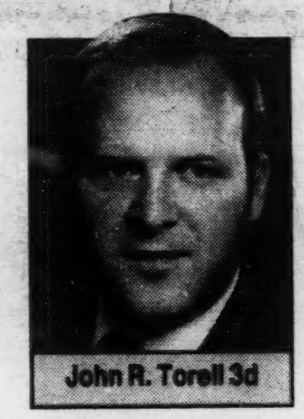
From 1983 to 1985, the median return on assets of Texas banks dropped 34 basis points, from 1.16% to 82 basis points. During the same period Texas added 233 banking charters.

Random Thoughts: Page 4

Manufacturers Hanover Plans Pursuit Of Middle Market Across the Nation

By DONALD SHOULTZ

NEW YORK — Manufacturers Hanover Corp. will go head-to-head with regional and local banks by aggressively pursuing a larger slice of the nationwide corporate middle market, the banking company's president said Monday.



John R. Torell 3d

"We will invest massive sums," John R. Torell 3d said in his keynote address to the Bank Marketing Association's annual corporate/commercial marketing conference here.

Mr. Torell said that Manufacturers Hanover's 1984 acquisition of CIT Financial Corp., which has $9.5 billion in gross receivables from the corporate middle market, was only a beginning.

CIT's network of more than 100 offices in 44 states will allow Manufacturers Hanover to woo the middle market on a nationwide basis, he said. And he believes his bank has the expertise to do it.

"Despite the tall buildings and household names," Mr. Torell said, "New York is a series of middle-market communities."

Mr. Torell spoke before some 200 bankers gathered for the Bank Marketing Association conference, "Marketing to the Middle Market." At times, his address took on aspects of a sermon, complete with dire warnings and challenges laid on the congregation.

Although the corporate middle market has been around for centuries, "bankers have suddenly discovered it, like it was something new. And everyone wants the middle market," he said.

The reason for this hot pursuit of the middle market, in Mr. Torell's view, is simple: profits.

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AN AMERICAN BANKER SPECIAL REPORT

Chase Is No. 1 At Automated Clearing House

Its 41 Million Payments in 1985 Were 14% of Network's Volume

By TOM FERRIS

Second of two parts

NEW YORK — The Chase Manhattan Bank initiates four times as many electronic payments through the automated clearing house network as any other bank, according to a survey by the *American Banker.*

With a total of 41.2 million payments, Chase alone accounted for 14% of the network's commercial volume in 1985, the survey found.

In the first published ranking of originators of electronic payments through the automated clearing house, the Bank of America was second with 10.1 million payments, followed by the Norwest Bank Minneapolis with 8.6 million and the Northern Trust Co., Chicago, with 7.1 million.

The survey revealed an extraordinary concentration of payments among a relatively few banks. The top five institutions account for 26% of the 1985 commercial volume of 288.5 million transactions, while the top 25 originated half of the total. The 75 largest players dominated three-quarters of the volume.

Top ACH Originators

	Volume (in millions)
Chase Manhattan Bank	41.2
Bank of America	10.1
Norwest Bank Minneapolis	8.6
Northern Trust Co.	7.1
Marine Bank of Springfield, Ill.	6.7

The list also turned up some surprises, with a number of comparatively small but aggressive banks finding niches and placing near the top of the ranking, while some of the nation's largest banks — notably Citibank — ended lower down on the list.

Table of the Top 100 ACH Originators Page 39

How Does a Little Bank Make It to No. 5? Page 38

The Marine Bank of Springfield, which in terms of assets ranks 452d in the country, ended up in the No. 5 spot among originators. Three insurance companies use the Illinois bank to initiate debits against consumer bank accounts to collect premium payments through the automated clearing house, or ACH, as it is known.

Other banks with large volumes relative to their asset sizes were the United Bank of Denver, ranking 13th; Bank One, Columbus, 18th; the Society National Bank of Cleveland, 33d; and the M&I Marshall & Ilsley Bank, Milwaukee, 39th.

Especially large volumes were re-

ACH: Page 38

While Citibank Lags, Chase Builds Business in Electronic Payments

Continued from Page 1

corded by subsidiaries of the Norwest Corp., the 21st largest bank holding company. Along with its main affiliate in Minneapolis, which ranked third, its bank in Omaha placed ninth, its subsidiary in Des Moines finished 22d, and its institution in St. Paul, Minn., fell just outside the top 100. When originators are ranked by holding company, Norwest comes in second with 15.9 million items, following Chase's 43.3 million.

Giant Citibank Low on List

Citibank, the nation's largest bank and a recognized leader in technology, finished surprisingly low on the list, in 55th place, with a volume of just 1.3 million last year.

Citibank's uncharacteristically low profile has been interpreted in some circles as a reflection of a lukewarm attitude toward the ACH, a network conceived a decade ago as the backbone delivery mechanism for an impending movement away from checks and toward electronic funds transfer.

However, despite the high expectations of the mid-1970s, volume growth has been painfully slow for ACH boosters, who would welcome a more aggressive approach from a bank with the enormous marketplace clout of Citibank.

A Citibank official attributed the bank's relatively low volume to the absence of a bank-wide push to convert checks to the ACH, and to a concentration on only selected applications of the network.

He also noted that because of its huge consumer clientele, the bank has a large number of unrecorded "on-us" electronic payments, which are sent between customers using the same bank and therefore do not actually flow through the ACH.

"We're looking at ways to expand our use of the ACH," said the official, who asked not to be named. "I expect us [Citibank] to grow to the point that we have a bigger impact."

While its huge asset base and market prominence makes Citibank's low volume stand out, its performance is actually more or less typical of its peers. Some 42 banks had a volume between one million and two million items last year, and for most large institutions, the ACH clearly is not a high priority.

Overall, in 1985, there were 586 million payments on the network, about half of them originated by federal government agencies and half by the private sector. That total represents only about 1.5% of the estimated annual check volume of 40 billion to 42 billion, a firmly entrenched base that will not be supplanted easily.

One reason why many banks do not push ACH transactions is that there is usually no measurable short-term gain, observers said. They noted that few banks now make a profit on ACH processing. "You can count them on both hands, for sure," said James H. Hopes, a vice president of Chase.

Yet, he said, the market is extremely cost-competitive. Once a corporation starts using a particular bank for processing, he added, it is unlikely to switch except in unusual cases, so institutions offer extremely low prices to lock in new business.

"The ACH is a loss leader at this time for many banks," Mr. Hopes said.

Efficient, Paperless Collection

For Chase, the ACH was a natural extension for its business with large insurance companies. For years, the bank had issued preauthorized checks on behalf of insurers, simplifying the collection of premium payments from consumers. The ACH provided a more efficient, paperless method of doing the same thing.

Since then, Mr. Hopes said, "it has become a plank in the bank's philoso-

452d Largest Bank Is 5th in Electronic Payments

By TOM FERRIS

NEW YORK — When going down the list of the top originators of electronic payments, many readers are likely to stop at the No. 5 spot and say, "Who?"

Up there with the Chase Manhattan Bank and the Bank of America is the Marine Bank of Springfield, Ill., an institution with a relatively paltry $597 million in assets.

The fact that the 452d largest bank in the nation can rank among the top originators of automated clearing house payments demonstrates, on the one hand, that many institutions are not promoting paperless transactions.

But it also shows that aggressive, small banks can compete well in the maturing business of processing electronic payments.

Marine Bank has built its annual volume of 6.7 million transactions largely by attracting the business of some insurance companies in the area, said Paul L. Matheis, a vice president.

Insurers are among the biggest backers of the automated clearing house network, using it to collect premium payments automatically from the accounts of policyholders.

Marine Bank's customers include the State Farm Insurance Co. in Bloomington, Ill., and the Franklin Life Insurance Co. in Springfield.

In fact, until now, Marine Bank has focused its electronic payments strategy on a handful of firms. "We actually are just beginning a big marketing push on the automated clearing house," Mr. Matheis said.

Unlike most institutions, the Illinois bank does not regard this operating service as a loss leader, he said. "We definitely view it as a profitable business," he noted.

Can Marine Bank keep pace with the Chases and the Bank of Americas? "Realistically, probably not, if you look at total numbers," said Mr. Matheis.

However, he added, the total numbers will not stop Marine Bank from trying. He said it is expecting another boost in volume this summer, when some state government agencies begin paying their employees by direct deposit through the automated clearing house. ■

Marine Midland Planning Expansion Within Northeastern US Quadrant

By ANDREA BENNETT

CHICAGO — Marine Midland Banks Inc. plans to expand within the northeastern portion of the United States in advance of interstate banking there, its vice chairman said recently.

Interstate Banking

Speaking to security analysts in Chicago on Friday, Thomas F. Donovan, the vice chairman of the $24.7 billion-asset Marine Midland, said the company wants to strengthen its position in the "Northeast quadrant," which he described as running eastward from Illinois and northward from Virginia to Maine.

Marine will achieve this expansion both through acquisition and investment, he said. The company has a program under which it invests in banks in states outside New York. It currently has stakes in the Society Corp. of Cleveland, the Statewide Bancorp. in Toms River, N.J., and the Michigan National Corp. in Detroit.

"We'd like to have an investment of consequence, which is between 20% and 25%, in every state in the quadrant," Mr. Donovan said in a presentation to the Investment Analysts Society of Chicago.

"We're constantly looking at and talking to others [in that area]," he added.

Expanding within the Northeast is part of a new five-prong strategy Marine has set, Mr. Donovan said. The other parts of the strategy are:

- Building on its position in New York State, both through internal growth and acquisition.
- Expanding nationwide through the distribution of targeted products such as credit cards, auto leasing, student loans, real estate lending, and commercial finance.
- Expanding its role as the Hongkong and Shanghai Banking Corp.'s partner in the Western Hemisphere.
- Strengthening its role in capital markets and New York money markets.

As part of its capital markets strategy, Marine announced Monday, it is establishing a London investment banking subsidiary, the Marine Midland Capital Markets Ltd.

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ACH . . .

Continued from Page 38

phy to use the ACH as an electronic delivery mechanism." Chase aggressively sought additional business from insurance companies and its volume, unlike most other users of the network, is dominated by debit transactions, which outnumber credit items by a whopping 6:1 ratio.

At one time, Chase controlled 33% of the network's commercial volume, according to Mr. Hopes, but maintaining such a share is impossible in a growing system. The bank's current market share of 14% is still a dominating amount, however, and conceivably could grow next year. The bank now is initiating 4.6 million items a month, a rate 34% higher than last year, he said.

The *American Banker* survey measured the number of debits and credits originated in 1985. The survey counted dishonored items returned to the originating institutions.

Prenotifications, which are test messages sent before live transactions, were not included. Neither were transactions that do not actually flow through the ACH, such as on-us items and payments sent directly between banks.

Each regional clearing house was asked to list each member bank that had combined credit and debit volume exceeding 500,000 items. The following banks supplied their own data: the Mellon Bank, the Mellon Bank (East), the First National Bank of Louisville, and the Liberty National Bank & Trust Co., Louisville. ■

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Top Originators of ACH Payments

Rank by ACH Orig.	Rank by Assets 12/31/85		Volume of Automated Clearing House Originations in 1985
1	3	Chase Manhattan Bank, New York	41,213,990
2	2	Bank of America, San Francisco	10,086,841
3	55	Norwest Bank Minneapolis	8,632,684
4	51	Northern Trust Co., Chicago	7,061,297
5	452	Marine Bank of Springfield, Ill.	6,729,312
6	11	Mellon Bank, Pittsburgh	6,711,117
7	60	Trust Company Bank, Atlanta	5,632,000
8	30	Wachovia Bank & Trust Co., Winston-Salem, N.C.	5,385,216
9	224	Norwest Bank Nebraska, Omaha	4,395,663
10	15	First National Bank, Boston	4,058,300
11	4	Morgan Guaranty Trust Co., New York	3,896,178
12	34	First National Bank, Minneapolis	3,594,510
13	119	United Bank of Denver	3,580,344
14	5	Manufacturers Hanover Trust Co., New York	3,467,665
15	39	Philadelphia National Bank	3,355,343
16	21	National Bank of Detroit	3,064,997
17	41	Connecticut Bank & Trust Co., Hartford	2,993,000
18	106	Bank One Columbus	2,951,950
19	6	Chemical Bank, New York	2,825,716
20	48	Connecticut National Bank, Hartford	2,708,000
21	65	National City Bank, Cleveland	2,393,495
22	238	Norwest Bank Des Moines	2,372,576
23	9	First National Bank, Chicago	2,363,861
24	88	Chase Lincoln First Bank, Rochester, N.Y.	2,133,286
25	12	Wells Fargo Bank, San Francisco	2,124,789
26	57	Huntington National Bank, Columbus	2,114,927
27	26	InterFirst Bank Dallas	2,086,924
28	66	First National Bank, St. Paul, Minn.	1,983,305
29	43	AmeriTrust Co., Cleveland	1,967,978
30	56	Bank of New England, Boston	1,937,500
31	23	NCNB National Bank, Charlotte, N.C.	1,838,508
32	14	First Interstate Bank of California, Los Angeles	1,813,937
33	136	Society National Bank, Cleveland	1,781,114
34	13	Marine Midland Bank, Buffalo, N.Y.	1,764,789
35	77	Mellon Bank (East), Philadelphia	1,758,331
36	8	Security Pacific National Bank, Los Angeles	1,754,253
37	10	Continental Illinois National Bank, Chicago	1,741,466
38	84	First National Bank of Maryland, Baltimore	1,731,600
39	165	M&I Marshall & Ilsley, Milwaukee	1,700,836
40	36	First City National Bank, Houston	1,678,597
41	24	Texas Commerce Bank, Houston	1,657,654
42	22	First Union National Bank, Charlotte, N.C.	1,639,332
43	31	Valley National Bank, Phoenix	1,633,767
44	205	Bank One Dayton	1,625,369
45	83	Shawmut Bank of Boston	1,511,000
46	42	Harris Trust & Savings Bank, Chicago	1,498,416
47	16	Crocker National Bank, San Francisco	1,487,485
48	32	Sovran Bank, Richmond, Va.	1,442,325
49	19	RepublicBank Dallas	1,430,720
50	33	Citizens & Southern National Bank, Atlanta	1,406,000
51	44	First National Bank, Atlanta	1,399,000
52	59	First Interstate Bank of Arizona, Phoenix	1,393,343
53	40	Rainier National Bank, Seattle	1,330,764
54	227	Commerce Bank of Kansas City, Mo.	1,330,285
55	1	Citibank NA, New York	1,314,723
56	183	First National Bank & Trust Co., Oklahoma City	1,250,380
57	631	Texas American Bank/Houston	1,249,990
58	129	First Security Bank of Utah, Ogden	1,225,363
59	182	Boatmen's First National Bank, Kansas City, Mo.	1,212,555
60	112	Centerre Bank, St. Louis	1,210,703
61	7	Bankers Trust Co., New York	1,204,615
62	47	MBank Dallas NA, Dallas	1,186,499
63	154	First Interstate Bank of Denver	1,155,633
64	94	First Wisconsin National Bank, Milwaukee	1,130,643
65	95	Indiana National Bank, Indianapolis	1,061,028
66	50	Maryland National Bank, Baltimore	1,051,000
67	234	Commonwealth National Bank, Harrisburg, Pa.	1,035,203
68	125	Citizens & Southern NB, Charleston, S.C.	1,009,800
69	90	Mercantile Trust Co., St. Louis, Mo.	1,005,579
70	28	Seattle-First National Bank	999,801
71	281	Shawmut Worcester County Bank, Mass.	990,200
72	81	BancOhio National Bank, Columbus	976,072
73	27	Southeast Bank, Miami	972,590
74	45	United States National Bank, Portland	944,901
75	72	AmSouth Bank, Birmingham, Ala.	927,854
76	64	First Pennsylvania Bank, Philadelphia	896,769
77	25	Pittsburgh National Bank	888,324
78	159	Union Planters National Bank, Memphis	832,381
79	186	InterFirst Bank Austin, Tex.	826,134
80	1044	Merchants National Bank, Topeka, Kan.	817,922
81	87	American Security Bank, Washington, D.C.	813,500
82	91	Arizona Bank, Phoenix	800,685
83	117	United Jersey Bank, Hackensack, N.J.	783,144
84	168	First National Bank, Cincinnati	735,356
85	221	Fourth National Bank & Trust Co., Wichita	695,165
86	208	United Missouri Bank of Kansas City, Mo.	685,778
87	17	Irving Trust Co., New York	672,796
88	103	Equitable Bank, Baltimore	670,000
88	102	First National Bank, Louisville	670,000
90	167	Fifth Third Bank, Cincinnati	665,683
91	109	First Interstate Bank of Washington, Seattle	664,622
92	175	United Bank of Arizona, Phoenix	662,614
93	80	Atlantic National Bank of Florida, Jacksonville	653,241
94	192	Liberty National Bank & Trust Co., Louisville	650,000
95	93	American Fletcher Nat'l Bank, Indianapolis	631,200
96	38	First Fidelity Bank, Newark, N.J.	630,155
97	85	South Carolina National Bank, Columbia	626,439
98	111	Sun Bank, Orlando, Fla.	609,968
99	173	Central National Bank, Cleveland	606,985
100	82	Bank of Hawaii, Honolulu	601,751

Marine Midland . . .

Continued from Page 38

The new strategy comes nearly one year after Marine Midland announced a corporate restructuring that included plans to drop almost $3 billion in low-yielding assets and replace them with more lucrative lines of business.

At that time, a large percentage of the bank's asset base was tied up in such activities as international, shipping, and energy loans that had a return on allocated equity of less than 8%, Mr. Donovan said.

Since then, the bank turned its focus to emphasize domestic middle-market and asset-based lending, and expanded its lending to the utilities, securities, and communications industries. It also shifted much of its international exposure in Europe, the Middle East, and Asia to the Hongkong Bank.

Mr. Donovan said Marine had made substantial progress toward that restructuring. ■

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